
RISK FACTORS

[REDACTED] in our H Shares involves significant risks. You should carefully read and consider all of the information in this document, including the risks and uncertainties described below, before deciding to **[REDACTED]** in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial condition and growth prospects. In any such case, the **[REDACTED]** of our H Shares could decline, and you may lose all or part of your **[REDACTED]**. The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized into (1) risks relating to our business and industry, (2) risks relating to doing business in China, and (3) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The industries that we operate in are characterized by constant changes. If we fail to stay abreast of technology innovation and continuously advance our products and services to adapt to customers’ needs and advancements in technology, our business, results of operations and financial condition may be materially and adversely affected.

Our business growth depends on our ability to identify and anticipate customer needs and develop AI inference chip-related products and services that address their demands. Success in retaining existing customers, acquiring new ones, and driving sales growth hinges not only on our technology achievements and sales execution but also on our ability to (1) provide competitively priced, cutting-edge products and services that evolve with customer needs, (2) maintain technological leadership, and (3) continuously enhance product and service functionality, performance, reliability, design, security, and adaptability.

We operate primarily in China’s AI inference chip-related products and services industry and China’s smart device industry, with products and services addressing customer demands in enterprise-class scenario, consumer-class scenario, and industry-class scenario. The industries in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of products and services, continual shifts in customer demands and constant emergence of new industry standards and practices. Our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to develop expertise across different industry sectors, adapt our products for different industry sectors and constantly anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in R&D to lead technological advances in order to keep our products and services innovative and competitive in the market.

To the extent we are not able to provide products and services that meet our customers’ demands, or we are not able to improve and enhance the functionality, performance, reliability, design, security, adaptability and scalability of our products and services in a manner that responds to our customers’ evolving needs, our existing customers may not spend more on our products and services, and we may not be able to attract new customers, under which circumstances our business, financial condition, results of operations, and prospects may be materially and adversely affected.

We have made significant investment into R&D, and such investment may negatively impact our profitability in the short term and may not generate the results we expect to achieve.

Our technological capabilities and infrastructure are critical to our success. We have been investing heavily in our R&D efforts. Our research and development expenses were RMB294.8 million, RMB399.9 million and RMB445.5 million in 2023, 2024 and 2025, respectively, representing 58.3%,

RISK FACTORS

43.6% and 33.3% of our total revenues in the respective periods, respectively. We need to invest significant resources, including financial resources, in R&D to lead technological advancement in order to make our products and services innovative and competitive in the market. As a result, we expect that our research and development expenses will continue to increase in absolute amount. We have incurred losses in the past and may not be able to achieve or subsequently maintain profitability, partially due to the significant investment in R&D. In 2023, 2024 and 2025, we recorded net loss of RMB384.1 million, RMB572.2 million and RMB411.8 million, respectively.

Furthermore, R&D activities are inherently uncertain, and we might encounter practical difficulties in commercializing our R&D results. Our significant expenditures on R&D may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to develop, we may not be able to timely upgrade our technologies in a cost-effective and timely manner. New technologies in our industries could render our technologies, our technological infrastructure or services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related research and development expenses, which could result in a decline in our revenues, profitability and market share.

The commercialization of our products and services may fall short of our expectation, which may lead to unsatisfactory market development and affect our business operation.

The commercialization of our products and services, such as AI inference chips and AI-powered glasses in China is at the phase of rapid growth. Our industry is currently at a critical juncture where successful technology R&D must be matched by effective commercialization of core innovations. However, we face challenges in scaling up production and commercialization of our products, services and technologies. These include potential supply chain disruptions, difficulties in maintaining consistent production quality at scale, and unforeseen technical or market barriers that could delay commercialization timelines. Such obstacles may prevent us from realizing the full commercial potential of our innovations, potentially putting us at a competitive disadvantage, and our business, results of operations and financial condition may be materially and adversely affected.

While we are integrating our AI technologies into our products and services, there is inherent risk that our R&D efforts may not successfully translate into commercially viable products or services that meet the evolving market demands due to factors such as technological hurdles, shifting consumer preferences, or competitive pressures. For instance, we are developing wearable devices and AI-enabled interactive products for our consumer-class scenario, such as *Dr. LookAi Companion Dog*, leveraging the AI capabilities of our *IFMind* large model. The economic viability of our commercialization efforts remains subject to multiple variables, including production costs, market demand, and competitive pricing pressures. If we are unable to achieve sufficient scale or cost efficiency in commercialization, we may need to reduce or discontinue R&D and production of certain of our products and services to maintain financial sustainability. This could result in stranded R&D investments and limit our ability to capitalize on emerging market opportunities, and our business, results of operations and financial condition may be materially and adversely affected.

AI technologies are constantly developing with evolving regulatory and legal framework. Any flaws or misuse of the AI technologies integrated in our products, services and business operations, whether actual or perceived, whether intended or inadvertent, could have certain negative impact on our business and reputation.

We are integrating AI technology into our products and services, which involves certain risks and challenges. For instance, AI models built using graph data may inherit biases from the underlying graph data. AI algorithms may not run properly on graph data due to the large size or complex nature of underlying graph data, causing scalability and performance issues and leading to bugs or crashes. It may also be difficult to integrate AI with graph data due to compatibility issues. The application of AI has been subject to ethical concerns. These deficiencies and concerns could undermine the capabilities, efficiency and reliability of AI, subjecting us to legal liability, and brand or reputational harm.

RISK FACTORS

Moreover, the regulatory and legal framework concerning AI technology has been evolving rapidly, which may subject us to greater scrutiny. Since 2021, the PRC government authorities have released a series of rules and regulations governing AI technology, including the Provisional Administrative Measures for Generative Artificial Intelligence Services (生成式人工智能服務管理暫行辦法). See “Regulatory Overview—Regulations relating to Artificial Intelligence Services.” As the interpretation and implementation of these laws and regulations may further evolve and develop, and new regulations governing AI technology may be promulgated and implemented from time to time, we cannot assure you that we will be able to comply with the requirements of such laws and regulations in a timely manner or at all. If we are unable to obtain the necessary approvals, complete necessary filings or assessments, or if we have any dispute with any third party relating to intellectual property or data security, we may incur liabilities and reputational damage, and our business may be adversely affected.

We may not be able to adequately protect our intellectual property rights, and uncertainty regarding the validity, enforceability or scope of our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.

We strive to strengthen and differentiate our product portfolio by advancing our technologies, developing new products and services. As a result, we regard our intellectual property as critical to our success. We will continue to rely on a combination of patents, trade secrets, know-how, trademarks and copyrights to protect our intellectual property, but this protection may be inadequate. For example, there may be a leakage of our trade secrets or know-how, and our pending or future patent applications may not be registered or approved or, if allowed, they may not be of sufficient strength or scope to protect our intellectual property. As a result, third parties may challenge our patent applications or use the technologies and proprietary processes that we have developed and compete with us, which may adversely affect any competitive advantage we enjoy, dilute our brand and materially and adversely affect our business, results of operations and financial condition.

In addition, policing the unauthorized use of our proprietary technology can be difficult and expensive. Our success largely depends on our ability to use and develop our technologies, products and services without infringing upon the intellectual property rights of third parties. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The holders of patents and other intellectual property rights potentially relevant to our product offerings may be unknown to us or may otherwise make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by us that are subject to infringement or other similar allegations or claims by third parties which may damage our ability to rely on such technologies. For instance, we relied on licensed technologies, such as high-speed communication interfaces, CPU processors, video/image codec, high-speed storage interfaces and video/image processing technologies, in the development of our AI inference chips. In addition, although we endeavor to ensure that companies that work with us possess appropriate intellectual property rights or licenses, we cannot fully avoid the risks of intellectual property rights infringement created by suppliers of components used in our products or by companies we work with in cooperative R&D activities. Our current or potential competitors may have obtained or may obtain patents that will prevent, limit or interfere with our ability to make, use or sell our products in China or other countries.

The defense of claims, including patent infringement suits and related legal and administrative proceedings, can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination in any such litigation or proceeding to which we may become a party could cause us to pay damage awards, seek licenses from third parties or pay additional ongoing royalties, which could decrease our profit margins, redesign our products or be restricted by injunctions.

These factors could effectively prevent us from pursuing some or all of our businesses and result in our customers or potential customers deferring, canceling or limiting their purchase or use of our products, which may have a material and adverse effect on our business, results of operations and financial condition.

RISK FACTORS

The size of our addressable markets and the demand for our products and services may not increase as expected due to a variety of factors. If the market for our products and services fail to grow as we expect, or if our customers or potential customers fail to purchase our products or adopt our products and services, our business, results of operations and financial condition could be adversely affected.

China's AI inference chip-related products and services industry and China's smart device industry have been developing rapidly. The future market size of the industries and the demand for the products and services developed from AI inference chips and the demand for smart devices may, however, be difficult to anticipate since it depends on a number of variables, most of which are beyond our control. For example, the market growth may depend on the application of AI technology across various industry sectors and the performance and cost-efficiency of these services. If there is a reduction in customer demand as a result of alternative technologies, competing products and services, technological challenges, decreases in customer spending, weakening economic conditions or other causes, our business, results of operations and financial condition will be materially and adversely affected.

In addition, the market acceptance of our products and services may vary across different industry sectors. As we aim to reach out to more customers across different industry sectors, we may face challenges brought by more diverse and complex use cases. We cannot assure you that the trend of adopting and utilizing AI technology by potential customers will develop or continue in the future in any given industry sector, which in turn would hinder our ability to achieve the desired level of adoption of our products and services.

If we fail to retain existing customers, attract new customers or increase their spending, our business, results of operations and financial condition may be materially and adversely affected.

During the Track Record Period, our customers primarily include AI companies, internet companies, cloud services providers, electronics manufacturers, telecoms operators, system integrators and public service enterprises. Our ability to generate and increase our revenue depends largely on our ability to retain existing customers, attract new customers or increase their spending with us. This in turn would depend on a number of factors, including our ability to offer high-quality services that address the needs of our customers at competitive prices, roll out new and enhanced features and functionalities of our products, strengthen our technological capabilities and adapt to the evolving industry trends and competitive landscape.

Furthermore, our customer base and customer spending with us may decline or fluctuate due to many factors, including customer satisfaction, customer budget levels, changes in our customers' underlying businesses, changes in the type and size of our customers, pricing, individual consumer preferences, competitive landscape and general economic conditions. We may also fail to execute our sales and marketing strategies in a cost-effective manner or our efforts to cross-sell and up-sell may not be as successful as we anticipate. Moreover, failure to maintain high-quality customer support may also have an adverse effect on customer retention. Such failures could result in customer dissatisfaction and a decrease in the overall demand for our products and services, which would materially and adversely affect our business, results of operations, financial condition and prospects.

As we have been and will continue expanding our customer base and diversifying industry sectors that we cover, the demands of our customers may differ from each other and evolve over time. As such, we need to upgrade, expand and modify our products and services to satisfy their requirements. We also need to develop expertise and insights to serve customers across industry sectors and adapt our products and services accordingly to ensure the degree of our market acceptance. We cannot assure you that we can always provide products and services that meet our customers' expectations. As a result, we may not be able to retain and expand our customer base, and our business, results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

Uncertainties with the procurement and spending of our customers could affect our results of operations and growth prospects.

Our customers’ purchasing decisions and budgeting processes are influenced by anticipated industry developments, including technological advancements, regulatory shifts, and competitive disruptions. The rapid evolution of China’s AI inference chip-related products and services industry and China’s smart device industry has introduced heightened uncertainty, as customers frequently reassess spending priorities to align with emerging industry standards, such as edge AI adoption, cost-saving measures, ecosystem maturity, policy compliance, supply chain stability, and real-world deployment readiness. While we expect continued market demand for our products and services, the pace and specific direction of these demands remain unpredictable. This volatility may lead to deferred procurement cycles, sudden demand erosion, or unanticipated pivots toward competing technologies. We cannot guarantee that our current markets will sustain their present scale or profitability, nor can we ensure our ability to reallocate technical, financial, or marketing resources swiftly enough to capture shifting opportunities, particularly if multiple sectors, including our current three major sectors of enterprise-class scenario, consumer-class scenario, and industry-class scenario, undergo simultaneous disruption.

In addition, our public sector customers’ purchasing decisions and budgeting processes are influenced by government spending, including future plan of urban development or changes in government’s fiscal policy and other factors beyond our control. If government spending that relates to our business does not continue to grow or remain at the current level, the business, results of operations, financial condition and prospects of our business could be adversely affected. And sales and services to the public sector can be expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a transaction. Accordingly, our business, financial condition, results of operations, and growth prospects may be adversely affected by certain events or activities, including changes in fiscal or procurement procedures or decreases in available government funding and potentially longer payment cycles and greater difficulty in accounts receivable collection resulting from certain restrictions and policies. Any such event or activity, among others, could cause governments and public sector customers to delay or refrain from purchasing our products and services in the future, reduce the size or payment amounts of purchases from existing or new government or public sector customers or end users, or otherwise have an adverse effect on our business, results of operations, financial condition, and prospects.

We have incurred net loss, fluctuated gross profit margin, and negative operating cash flow and we may not be able to achieve or maintain profitability in a short time.

During the Track Record Period, we incurred net loss of RMB384.1 million, RMB572.2 million and RMB411.8 million in 2023, 2024 and 2025, respectively. We may continue to record net loss as our business remains in an expanding stage and we are continuously investing in R&D. In 2023, 2024 and 2025, our gross profit was RMB118.8 million, RMB192.1 million and RMB368.2 million, respectively, representing gross profit margin of 23.5%, 20.9% and 27.5% for the same periods, respectively. Our gross profit margin fluctuated during the Track Record Period along with the evolvement of our offering mix. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, successfully commercialize our products and services, enhance customer experience, compete effectively and expand our customer base. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur losses in the future and may not be able to achieve or subsequently maintain profitability.

In addition, we recorded net cash used in operating activities of RMB541.0 million and RMB294.5 million in 2023 and 2024, respectively. Despite our net cash inflows from operating activities of RMB265.8 million in 2025, we may continue to have net operating cash outflow in the near future as we plan to continue to invest heavily in R&D efforts. Our negative operating cash flows

RISK FACTORS

could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business and funding our investments in technological innovation and business expansion. If our future operating cash flows fail to improve to a level to sufficiently cover our overall cash needs, we may plan to seek equity or debt financing to fund our operations in the future. Such financing might not be available to us promptly or on terms that are acceptable, or at all, and we may have limited financing channels due to our negative cash flow. If we fail to obtain the required additional financing before we are able to reach levels of revenue to meet our financial needs, our operation may be restricted or suspended. We may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected if we cannot obtain sufficient capital to meet our needs.

We may engage in acquisitions, investments, divestitures or strategic alliances in the future, which could require significant management attention and materially affect our business, results of operations and financial condition.

We intend to selectively pursue strategic alliance, investment and acquisition opportunities to fuel our business growth and strengthen our competitiveness. We will evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us penetrate high-growing sectors, and add new capabilities to our Company. For example, we acquired D-infuture Tech in April 2024 and expanded into the consumer-class scenario afterwards. However, we may have limited experience in making such acquisitions and we may not be able to find suitable acquisition candidates or complete acquisitions on favorable terms, if at all. Even if we complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisition we complete could be viewed negatively by customers or investors. We may also engage in other forms of business collaborations and relationships in the future, including strategic investments, partnerships and alliances. Negotiating such transactions can be time-consuming, difficult and costly, and our ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals. We cannot assure you that these transactions will close or will lead to commercial benefit for us.

In addition, we may not be able to integrate acquired businesses successfully or effectively manage the combined company or our collaborations. If we fail to successfully integrate our acquisitions, or the people or technologies associated with those acquisitions, into our Company, the results of operations of the combined company could be adversely affected. Any integration process will require significant time and resources, require significant attention from management, and disrupt the ordinary functioning of our business. We may ultimately fail to realize the potential cost savings or other financial benefits or the strategic benefits of the acquisitions. Furthermore, an acquisition could also materially impair our results of operations by causing us to incur debt or requiring us to amortize acquired intangible assets. We may also discover deficiencies in internal controls, data adequacy and integrity and regulatory compliance, as well as legal or contractual liabilities in businesses we acquire which we did not uncover prior to such acquisition. Therefore, we may become subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses or technologies or unexpected penalties, lawsuits or liabilities in connection with such businesses or technologies could have a material adverse effect on our business, results of operations and financial condition.

In addition, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. In addition to possible shareholder approval, we may have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs, and may derail our business strategy if we fail to do so. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant.

RISK FACTORS

In connection with the foregoing strategic transactions, we may issue additional equity securities that would dilute our Shareholders, use cash that we may need in the future to operate our business and incur substantial debts and liabilities. Such strategic transactions may also subject us to legal and regulatory scrutiny and increase our compliance costs. As a result, our business, results of operations and financial condition may be adversely affected.

If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

The industries in which we operate are highly competitive and oligopolistic, characterized by dominant incumbents that hold overwhelming market positions. China’s AI inference chip-related products and services industry and its NPU sub-segment are dominated by two market leaders, creating significant barriers to entry and scaling. Specifically, the top two players in China’s AI inference chip-related products and services industry collectively controlled nearly 80% of the total market share in 2025, while a solitary leader commanded approximately 82% of the NPU sub-segment market share in the same year.

We primarily compete with other companies that are capable to provide AI inference chip-related products and services, and to a broader degree, companies that generally focus on developing and commercializing AI technologies. Across our three core business segments, enterprise-class, consumer-class, and industry-class products and services, we face multidimensional competition from both specialized AI solution providers and established industry players developing proprietary AI capabilities. Our competitors may benefit from greater financial resources, more mature technological infrastructure, established customer networks, and longer operating histories. Our expansion into the consumer-class scenario, including *Dr. LookAi Companion Dog*, wearable devices and other AI-enabled interactive products, introduces additional competitive complexities, such as vertically integrated in-house AI services from customers and emerging niche competitors. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or user demand than us.

We may also face competition from new entrants who may offer lower prices or new technologies and products, and thus increase the level of competition in the future. Increased competition could result in price reductions, lower sales, reduced margins or loss of market share. Further, we may be required to make substantial additional investments in R&D, marketing and sales, recruiting and retaining top AI technology scientists and innovative talents, and acquiring technologies complementary to, or necessary for, our current and future products in order to respond to such competitive threats, and we cannot assure you that such measures will be effective. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations may be materially and adversely affected.

Our limited operating history and evolving business portfolio make it difficult to evaluate our prospects and the risks and challenges we may encounter. Our historical growth may not be indicative of our future performance.

We commenced our operations in 2014 and have continued to expand our business since our inception. We have developed, and will continue to develop, innovative AI technology across diversified industry sectors. Our new business initiatives, such as our expansion into the consumer-class scenario, have not been fully proven given our limited operating history, which may subject us to a number of uncertainties and additional costs and expenses, and adversely affect our ability to project and plan for the future growth.

In 2023, 2024 and 2025, our revenue was RMB506.0 million, RMB917.4 million and RMB1,339.3 million, respectively. However, you should not consider our historical performance as indicative of our future financial performance. As a result of our limited operating history and evolving business

RISK FACTORS

portfolio, it is difficult to draw an exact period-over-period comparison of our business, results of operations and financial condition as a whole. Furthermore, as our business further develops, we may modify our business model or continue to change our business portfolio. We may launch new products or services or discontinue any existing ones for strategic purposes. Any of such changes may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our prospects should be considered in light of the risks and uncertainties that we, as a fast-growing company with a limited operating history, may encounter, including the following ones, some of which are beyond our control:

- China's overall economic growth;
- maintain and upgrade our technology infrastructure;
- upgrade our AI technologies and develop new technologies;
- retain existing customers and attract new customers to use our products and services;
- further commercialize our AI technologies;
- increase brand awareness through marketing and promotional activities;
- successfully compete with other companies that are currently in, or may in the future enter our industries;
- attract, retain and motivate talented employees, including R&D talents as well as staff with in-depth industry know-how;
- the evolving regulatory environment and government policies and initiatives, in particular those relating to the industries that we operate in;
- awareness and widespread adoption of AI across various industry sectors;
- our ability to retain and expand our customer base; and
- our ability to manage our costs and expenses and enhance operating efficiency.

We may not be successful in executing our growth strategy or otherwise achieving growth in the future.

Our business, results of operations and financial condition depend in part on our ability to effectively implement our growth strategies. If we encounter any issue during our expansion or if we fail to manage our products portfolio expansion, our business, results of operations and financial condition may be materially and adversely affected. Our products may not gain market acceptance or realize revenue as predicted. In addition, we must continue to hire, train and effectively manage new employees. If newly hired employees perform poorly or if we are unsuccessful in hiring, training, managing and integrating new employees, our business, results of operations and financial condition may be materially and adversely affected. To effectively manage the expected growth of our operations and personnel, we will need to continue to improve our technological, operational and financial systems, policies, procedures and controls. All of these endeavors involve risks and will require significant managerial, financial and human resources. There is no assurance that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

RISK FACTORS

If our expansion into new industry sectors and application scenarios is not successful, our business, prospects and growth momentum may be materially and adversely affected.

We provide AI inference chip-related products and services to address the diversified needs of our customers across various industry sectors in different application scenarios. We cannot assure you that we will be able to maintain our expansion momentum in the future. Expanding into new industry sectors and application scenarios involves new risks and challenges, such as the difficulty in keeping pace with evolving customer demands and preferences that we may be unfamiliar with. In addition, there may be one or more existing market leaders in such areas. Such companies may be able to compete more effectively than us by leveraging their experience in addressing customer needs in those sectors, as well as their deeper industry insights, greater brand recognition, more advanced technologies and better access to customer base and business opportunities. We could also be subject to additional regulations relating to new industry sectors that we enter into, and we may not have sufficient experience or resources in dealing with those enhanced requirements and could incur additional compliance costs as a result. Expansion into any new industry sectors may place significant strains on our management and resources, and failure to expand successfully could have a material adverse effect on our business, results of operations, financial condition and prospects.

Failure to enhance our brand recognition, sales and marketing capabilities could harm our ability to expand our business operations and expand our customer base, and adversely affect our business, results of operations, financial condition and prospects.

We believe that maintaining and enhancing our brand is important to continued market acceptance of our existing and future products and services, attracting new customers, retaining existing customers, and successfully executing our dual-pronged growth engines. We also believe that the importance of brand recognition will increase as competition in our market increases. Successfully maintaining and enhancing our brand recognition will depend largely on the effectiveness of our marketing efforts, our ability to provide reliable products and services that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers’ trust, and our ability to successfully differentiate our products and services from competitive ones. However, our efforts may not always be successful or yield increased revenue.

Moreover, the promotion of our brand also requires us to make expenditures, and we expect that these expenditures will increase as the market becomes more competitive. Our selling and distribution expenses were RMB101.6 million, RMB176.3 million and RMB164.2 million in 2023, 2024 and 2025, respectively, representing 20.1%, 19.2% and 12.3% of our revenue for the same periods, respectively. To the extent that our sales and marketing activities increase revenue, the increase in revenue still may not necessarily be sufficient to offset the expenditures we incur. We may also be unable to hire and train sufficient numbers of qualified sales personnel or ensure the productivity of our sales personnel in acquiring new customers or cross-selling to our existing customers. If we do not successfully maintain and enhance our brand and ensure the effectiveness of our sales and marketing efforts, our ability to expand our customer base may be impaired, which would then adversely affect our business, results of operations and financial condition.

Our business depends substantially on the continuing efforts of our management and key R&D personnel, as well as competent pool of talents that support our existing operations and future growth. If we are unable to retain, attract, recruit and train such personnel, our business may be materially and adversely affected.

Our future success depends heavily on the continued contributions of our senior management, many of whom are difficult to replace. In particular, we rely on the expertise, experience and vision of our founders as well as other members of our senior management team. If any of our senior management becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily, or at all. As a result, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Additionally, our future success also depends on our ability to attract, recruit and train a large number of qualified employees and retain existing key employees. In particular, we rely on our top-notch R&D team to develop our advanced algorithms and technologies, our experienced operation personnel to position our products and services and our experienced sales personnel to maintain relationship with our customers. Loss of the key R&D personnel and experienced sales personnel could materially impair our R&D and sales and marketing capabilities, which would in turn affect our business operation, financial position. In order to compete for talents, we may need to offer higher compensation, better trainings and more attractive career opportunities and other benefits to our employees, which may be costly and burdensome. We cannot assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

We may fail to maintain or obtain all required licenses, permits and approvals to operate our business.

Our business and operations have been subject to extensive regulations. We are required to obtain and maintain applicable licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business. As the interpretation and implementation of the existing and future laws and regulations governing our business activities will continue to change and evolve, we cannot guarantee you that we will always successfully secure all the approvals, permits or licenses required for conducting our business in China, nor can we guarantee that government authorities will consistently act in our favor using their discretionary powers. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently delivering services and expose us to potential penalties and fines. Lastly, our existing licenses may expire without proper renewal or be revoked due to violations of relevant licensure maintenance requirements. If any of our entities is deemed by governmental authorities to be operating without appropriate permits and licenses or outside of their authorized scopes of business or otherwise fail to comply with relevant laws and regulations, we may be subject to penalties and our business, results of operations and financial condition may be materially and adversely affected.

We are subject to complex and evolving laws and regulations regarding data security and personal information protection. Actual or alleged failure to comply with data security and personal information protection laws and regulations could damage our reputation, deter current and potential customers from using our products and services and subject us to significant legal, financial and operational consequences.

We are subject to various regulatory requirements relating to cybersecurity and data privacy in the PRC, including the PRC Data Security Law (中華人民共和國數據安全法) and the Cybersecurity Law of PRC (中華人民共和國網絡安全法). We are required to ensure that our data processing activities are carried out in a lawful, legitimate, specific and clear manner. In the course of conducting our business, the data we collect mainly pertains to employee information, customer and supplier contact information, and other data necessary for operation and management. We also have access to certain data, including primarily registration information such as phone number, user name, profile picture and photos taken and uploaded from our customers, in the course of using our products under consumer-class scenario, including primarily *Dr. LookAi Learning Camera* and the related *Dr. LookAi WeChat* mini-program. We have no access to personal information from end customers of our enterprise and government customers during our service providing. See “Business—Data Privacy and Security.”

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We may also be subject to additional or new laws and regulations

RISK FACTORS

regarding the protection of personal information and important data or privacy related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

As of the Latest Practicable Date, we were not subject to the cybersecurity review, on the basis that: (1) we had not been notified of being classified as a critical information infrastructure operator, (2) we had not received any queries or notifications from any PRC governmental authorities, have not received any notification with regard to cybersecurity review, and (3) Hong Kong is not included in the definition of “abroad” and listing in Hong Kong is not in the scope of “listing abroad” (國外上市), which is not explicitly required for a cybersecurity review.

We are also subject to laws, regulations and governmental policies regarding data privacy and protection in multiple areas and jurisdictions where we have a business existence. Such regulatory requirements on data privacy are constantly evolving and can be subject to varying interpretations, or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard.

We could be adversely affected by any sanction that may be imposed on us, our customers, suppliers and business partners.

Our operations may be adversely affected by sanctions, export control measures and other geopolitical developments, including those administered by governmental authorities in jurisdictions where we do not have operations but whose laws and regulations may nonetheless apply to us extraterritorially. These developments may include, but are not limited to, the deterioration of international political and economic relations, trade tensions, changes in labor or economic conditions, imposition of tariffs or taxes, and political instability. For example, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect our and our technology partners’ abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations.

Effective June 5, 2020, the U.S. Department of Commerce’s Bureau of Industry and Security (the “BIS”) added certain entities to the Entity List (the “Entity List”), including “Intellifusion” (the “Listed Entity”) with aliases “Shenzhen Yuntian Lifei Technology Co., Ltd.” and “Yuntian Lifei.” The Listed Entity was subsequently designated as a Footnote 4 entity on October 7, 2022.

The addition of the Listed Entity to the Entity List restricts the ability of the specific entity, but not of legally distinct entities, such as subsidiaries or affiliates of the Listed Entity, to purchase, acquire, or otherwise obtain any items subject to the Export Administration Regulations, 15 C.F.R. Parts 730-774 (the “EAR”) without a license from the BIS. Specifically, absent a license from the BIS, it is prohibited to export, reexport, or transfer any items subject to the EAR when the Listed Entity is a party to the transaction, including as purchaser, intermediate consignee, ultimate consignee, or end-user. That is, even if the Listed Entity is not the intended end user of the item(s) involved, the restrictions would still apply to the extent the Listed Entity is the purchaser or otherwise involved in a given transaction. License applications to the Listed Entity will be reviewed with either a presumption of denial or a case-by-case policy for items subject to the EAR. See “Regulatory Overview—U.S. Export Control Laws and Regulations” and “Business—U.S. Export Control Laws and Regulations.”

To address the EAR-related risks after the addition to the Entity List, we have adopted a series of export control compliance measures for the entire Group, out of an abundance of caution. We have adopted a Group-wide trade controls compliance policy that includes procedures for customer and supplier sanctions screening, contractual compliance undertakings, internal documentation requirements, and escalation protocols for restricted-party transactions, as well as other internal control measures. See

RISK FACTORS

“Business—U.S. Export Control Laws and Regulations.” However, there can be no assurance that our export control compliance measures or program can be strictly followed and implemented, or that the implementation of such export control compliance measures or program would be sufficient for us to address concerns under the EAR. Failure to comply with the EAR could lead to regulatory investigations, civil monetary penalties, or criminal fines and negatively affect our relationship with our suppliers, which, in turn, could negatively affect our business operations.

Given the complexity of the EAR and level of information required for an exporter, re-exporter, or transfer within China to determine whether an item is subject to U.S. law, there may be a non-compliance on the part of suppliers that might supply us goods incorporating controlled U.S.-origin content in excess of the EAR’s de minimis threshold or that are the foreign-produced direct product of U.S. technology or software, or are produced by a plant or major component of a plant that itself is a direct product of specified technology or software. Because the EAR asserts liability broadly to include parties acting with knowledge or reason to know a violation has occurred, will occur, or is likely to occur, there is a risk that we could be subject to a potential BIS investigation, enforcement actions, civil monetary penalties, or criminal fines if our suppliers fail to comply with the EAR.

The Entity List designation could have a negative impact on our reputation with U.S. regulators, businesses, and banking institutions. We believe there is a risk some business partners, particularly those in the United States or with significant exposure in the United States, might refuse to engage in certain business with us for a variety of reasons, including over-compliance with or misunderstanding of the legal effect of the Entity List designation, an inability to determine whether items being sold are subject to U.S. law, de-risking, and reputational concerns. As of the date of this document, none of our material investors, customers, or suppliers have withdrawn their investment, ceased doing business with us due to the BIS Entity List designation, or notified us in writing or otherwise of their intention to do so.

Our relationships with suppliers may evolve in the future, and there can be no assurance that we will maintain our access to all items that are necessary to our business. Furthermore, as technologies continue to advance, third parties may offer new technologies or products that could enhance our technology infrastructure or services. To the extent that any product or technology we currently use becomes subject to the EAR or any such new technologies or products are subject to the EAR, we would not be able to access them if we remain on the Entity List by then at that time, unless the exporter obtains a license from the BIS, which is subject to a licensing review with either a presumption of denial or a case-by-case policy. There can be no assurance that the Listed Entity would be able to identify alternative supply chain arrangements to access similar technologies or products of the same quality at similar cost, and we may encounter increased supplier scrutiny due to the addition to the Entity List. As such, if the Listed Entity remain on the Entity List on a prolonged basis, our business, results of operations and financial condition could be negatively affected.

We cannot guarantee that the competent authorities would not revise the relevant sanctions laws and regulations, or issue documents including guidelines to interpret these laws and regulations differently or unfavorably. As a result, there is no assurance whether the Entity List designation will be expanded to additional entities of our Group, or we will be subject to any additional economic sanctions administered by the U.S. government authorities. As of the date of this document, we have not been subject to any such additional economic sanctions, and the Entity List designation has not been expanded to additional entities of our Group. Despite our belief that the designation of the Listed Entity to the Entity List should not have a material impact on the business or operations of our Group, if, in addition to the Listed Entity, other subsidiaries of our Group, or if the entire Group were to become targeted by economic sanctions and/or export control restrictions, this may result in interruptions of our business and reputational harm to us.

We are exposed to risks associated with U.S. Executive Order 14105 and its implementing regulations that prohibit and require notification by U.S. persons for certain investments.

On October 28, 2024, the U.S. Department of the Treasury (the “Treasury”) issued a final rule on outbound investment (the “OIR”) to implement the executive order of August 9, 2023, which became effective on January 2, 2025. The OIR imposes investment prohibition and notification requirements on

RISK FACTORS

U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau), collectively defined as “covered foreign persons,” that are engaged in activities relating to three sectors: (1) semiconductors and microelectronics, (2) quantum information technologies, and (3) artificial intelligence systems. U.S. persons subject to the OIR are prohibited from making, or required to report, certain investments in “covered foreign persons,” which are defined as “covered transactions.” The OIR could apply to certain U.S. persons (including their controlled foreign entities, if applicable) outside the United States who may participate in the [REDACTED] through offshore transactions.

We have been designated on the U.S. Department of Commerce’s Bureau of Industry and Security Entity List with Footnote 4. Separately, under the OIR, certain outbound investments by U.S. persons into a covered foreign person engaged in specified national security-related activities, including certain artificial intelligence activities, are prohibited. Under the OIR framework, where a covered foreign person is included on the Entity List, a transaction that would otherwise be subject to notification requirements may be treated as a prohibited transaction for U.S. persons.

In light of the existing Entity List designation and the nature of our business, the application and interpretation of the OIR to our Group involve inherent regulatory uncertainty. Under the OIR framework, where a covered foreign person engaged in covered activities is included on the Entity List, a covered transaction involving such entity would be treated as a prohibited transaction for U.S. persons. As a result, U.S. Investors, including their controlled foreign entities, if applicable, may not participate in such transactions unless an applicable exception has been granted. Accordingly, pursuant to the OIR, U.S. Investors may be restricted from investing in us and participating in the [REDACTED] except through valid exemptions, or unless such investments were completed prior to the effective date of the OIR. Therefore, the OIR may limit the participation of U.S. Investors in the [REDACTED] and may affect the pool of potential investors, which could in turn affect the liquidity and [REDACTED] of our H shares.

In addition, even though U.S. Investors’ acquisition of certain publicly traded securities, such as purchasing our H Shares in the open market, falls under an exception in the OIR, it could still limit our ability to raise capital or contingent equity capital from U.S. Investors given that the relevant laws, regulations and policies continue to evolve. For example, President of the United States issued the America First Investment Policy Memorandum (the “America First Memo”) on February 21, 2025, which proposes to further expand the set of technologies and investment types of concern. The application and implication of the OIR, the America First Memo and any related policies, laws and regulations are complex, which may be changed and updated from time to time. Future changes in the OIR, the America First Memo and any related policies, laws and regulations or their interpretations, or any similar or more expansive restrictions imposed by the U.S. or other jurisdictions, may result in additional costs on our business and/or limit our ability to raise capital or contingent equity capital from U.S. Investors and other sources that may otherwise be beneficial to us, which could adversely affect our performance, financial condition and prospects, in which case may also materially and adversely affect the [REDACTED].

Our overseas expansion may not be successful, and we are exposed to the risks associated with overseas operations.

We plan to expand our business in selected overseas markets. As a result, we are subject to a variety of risks and uncertainties associated with overseas operations and sales, including compliance with foreign laws, regulations and local industry standards, in particular, those related to AI inference chip-related products and services; export control and economic sanctions laws and regulations; exposure to increased overseas litigation risks; political and economic instability, as well as geopolitical tensions, including the ongoing tariff war; foreign currency exchange rate fluctuations, currency controls and cash repatriation restrictions; restrictions on imports from the PRC or other trade barriers, such as export requirements, sanctions, tariffs, licensing and other restrictions and expenses; unfamiliarity with local operating and market conditions and competitive landscape; uncertainty on the degree of market acceptance; competition from local companies; failure to attract and retain locally qualified management and employees; alignment of the operations, culture and systems of the international team with our existing operations; foreign taxes; environmental, safety and labor

RISK FACTORS

regulatory compliance; and potential disputes and difficulty in managing relationships with overseas customers and distributors. Additionally, we plan to distribute our products to overseas markets, and we may face management risks associated with the growth of our international team and the management of territories under our international strategy.

Any failure to manage the foregoing and other risks and uncertainties could result in operational inefficiencies, increased costs and a diversion of management's attention from other business matters, which in turn could adversely affect our overseas business and its expansion, and result in reduced turnover from our overseas operations, which in turn could materially and adversely affect our business, results of operations and financial condition.

Changes in geopolitical relationships, barriers to trade or escalation of trade disputes, including the imposition of trade restrictions and tariffs, could negatively affect demand for our products and services, and consequently could have a material adverse effect to our business, financial condition and results of operation.

As we plan to expand our business to overseas market, which may export our products and services to United States, Europe, ASEAN countries or Middle East, we may be imposed with trade restriction and tariffs. For example, the United States and China had previously been involved in controversy over trade barriers in China that have threatened a trade war between these two countries, and had implemented or proposed to implement tariffs on certain imported products. The United States government has made statements and taken certain actions that may lead to changes in United States and international trade policies towards China. It remains unclear what additional actions, if any, will be taken by the United States or other governments with respect to international trade agreements, the imposition of tariffs on goods imported into the United States, tax policy related to international commerce, or other trade matters. In early 2025, the U.S. government issued multiple executive orders implementing additional tariffs on imports from various jurisdictions. The U.S. tariffs and trade policies are subject to constant changes, influenced by evolving geopolitical dynamics, economic priorities and regulatory agenda, and such policies may be amended, expanded, or replaced with little or no advance notice. These actions underscored a strategic recalibration of the United States trade policy, emphasizing heightened pressure on international trades. We are closely monitoring potential changes in international trade policy and assessing the potential impact of these and other trade policy changes on our business operations and financial performance.

Results of operations of our consumer- and industry-class business are subject to seasonal fluctuations.

The results of operations of our consumer- and industry-class business may fluctuate depending on a number of factors, many of which are out of our control. For instance, we tend to generate higher revenues in the fourth quarter of the year due to the combined effect that the demand for our consumer products is typically higher with customers for holiday seasons and the public service enterprises' acceptance of project and payment milestone are typically at the fourth quarter of the year. Therefore, comparing our results of operations for different periods may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues in a given period may be significantly different from our historical or projected rates, and our results of operations in future quarters may fall below expectations.

Failure to provide satisfactory customer service and enable customer success may materially and adversely impact our brand, business, results of operations and financial condition.

The satisfactory performance, reliability and availability of our products and services and underlying technologies and infrastructures are critical to our operations, customer service, reputation and our ability to retain existing customers and partners and to attract new ones. Our products and services are subject to unanticipated failures or disruptions, which results in various operational risks, such as improper information processing, slower response time, and substandard user experience. If we fail to properly and accurately process and manage all such information, the quality of our products and services may be compromised, which will have an adverse impact on our reputation, financial condition

RISK FACTORS

and results of operations. In addition, we rely on certain proprietary technology and third-party services to store, retrieve, process and manage immense amounts of data for our operations. Such services on which we rely may contain undetected errors or bugs. If we are unable to maintain and constantly improve our technology infrastructure and to properly handle technological failures or disruptions, our business, financial condition, results of operations and prospects, as well as our reputation, may be materially and adversely affected.

In the event of data outage or loss, our ability to offer products and services may be materially and adversely affected. Our operations depend on our ability to protect our systems against damage or interruption from natural disasters, power or telecommunications failures, environmental conditions, computer viruses or other attempts to harm our systems, criminal acts and similar events. In addition, if there is a lapse in service or damage to our leased facilities, we could experience business interruptions as well as delays and additional expenses in arranging new facilities, which could harm our relationships with stakeholders of our ecosystem, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We have derived a substantial portion of our revenue from sales to a limited number of customers, which may expose us to risks relating to customer concentration.

In 2023, 2024 and 2025, revenue generated from our top five customers in each period during the Track Record Period accounted for 47.5%, 57.3% and 74.1% of our total revenue for such period, respectively, and revenue generated from our largest customer in each period during the Track Record Period accounted for 17.4%, 20.5% and 37.0% of our total revenue for such period, respectively. See “Business—Our Customers” for details.

There are inherent risks whenever a large percentage of total revenue is concentrated with a limited number of customers. Actions taken by our largest customers to exploit their comparably superior bargaining position in negotiating the terms of contracts or otherwise could also have an adverse effect on our results of operations. In the event that the existing largest customers cease to engage our products and services, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected. In addition, if any of such customers delays in their payments or even default, our results of operations, financial condition and liquidity may be materially and adversely affected. As such, should there be any adverse development related to our largest customers’ operations or any other reasons resulting in any deterioration or termination of our business relationship with one or more of our major customers, our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to supplier concentration risk due to our reliance on certain major suppliers.

Under our fables business model, our business operations depend on the continuous service of certain suppliers, mainly including the suppliers of wafer production, chip packaging and chip testing services. Our reliance on these suppliers subjects us to the concentration and counterparty risk from these suppliers. We cannot assure you that we will be able to maintain our relationships with our major suppliers in the future. If the supply of wafers or packaging and testing services is disrupted or delayed, we may fail to find replacements with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be harmed, our costs will increase, and our business, results of operations and financial condition will be adversely affected. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance, or financial condition of our major suppliers may result in material adverse impact on their business with us.

Because of the complex proprietary nature of our products and services, if there was a disaster or other business disruption at any of our wafer foundry and packaging and testing services partners’ facilities, procurement of and transition to new partners would take a significant period of time to complete and would likely adversely affect our inventory, business, results of operations and financial

RISK FACTORS

condition. Moreover, any shortage in the raw materials used by our wafer foundry and packaging and testing services partners may result in shortage in their supply of our products and delay in their packaging and testing process. Therefore, we are vulnerable to the risk that our current wafer foundry and packaging and testing services partners may be unable to meet our demand.

In addition, our ability to receive sufficient supplies for our products or services could be adversely affected by events such as natural disasters, including earthquakes, drought and typhoons, and geopolitical challenges in locations where our suppliers operate. Our ability to receive sufficient supplies for our products or services could also be adversely affected by international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions. Moreover, increased regulation or heightened societal and industrial expectations regarding responsible sourcing practices could increase our compliance costs. Any failure to comply with such regulations or meet such expectations as a result of misconduct by our suppliers could result in negative publicity that adversely affects our reputation. Given that we do not directly control the procurement or employment practices of our wafer foundry and packaging and testing services partners, we could be subject to financial or reputational risks as a result of their conduct.

Failure to maintain competitive pricing strategies may have a material adverse effect on our business, financial condition and results of operations.

We aim to provide our customers with high-quality products and services. We determine our differentiated pricing strategy through market research and competition, taking into account multiple factors and designing to cater to the diverse needs of our customer base and product range. However, we cannot guarantee that we will consistently adopt a competitive pricing strategy for our products. If our market research yields inaccurate results that misalign our pricing strategy with market trends, we risk either diminishing profit margins by underpricing, or dampening sales volume and revenue by overpricing.

We are subject to various risks relating to third party payments.

During the Track Record Period, certain of our customers settled their payments with us through third party payors (the “Third Party Payment Arrangements”). In 2023, 2024 and 2025, revenue attributable to transactions subject to the Third Party Payment Arrangements were RMB9,100, RMB0.6 million and nil, accounted for approximately 0.002%, 0.07% and nil of our total revenue for the corresponding periods, respectively. We have implemented various internal control measures to reduce the proportion of payments received from third party payors and to mitigate the relevant risks. For details, see “Business—Third Party Payments.”

We were subject to various risks relating to such Third-party Payment Arrangement during the Track Record Period, such as (1) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (2) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or noncompliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold and services that we provided.

Future results of operations depend on our ability to obtain various types of supplies used in the provision of our products and services in sufficient quantities on commercially reasonable terms.

Our total cost of sales comprises primarily of cost of inventories and, increasingly, depreciation of servers for providing computing power services. We procure various types of hardware, software and other supplies to provide our products and services. The primary raw materials for our consumer-class products consist of chips and printed circuit boards, or PCBs, in addition to common electronic components such as microphones, capacitors, and resistors. For details, see “Business—Our Suppliers” and “Industry Overview—Price Trend of Application-Specific Integrated Circuits.” The prices of these

RISK FACTORS

supplies are susceptible to significant fluctuations due to supply and demand trends in the commodities markets, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. Our results of operations could be adversely affected if we are unable to obtain adequate, satisfactory supplies in a timely manner at reasonable prices, or if there are significant increases in costs that we could not pass on in full to our customers.

The timeliness, adequacy and quality of our supplies are critical to our ability to carry out our operation plans as scheduled. Any delays or disruptions in such supplies may have a material and adverse impact on our ability to meet our customers’ demands for our products on time. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of pandemics could impair the operations of our suppliers and impede our ability to deliver our products and services to our customers.

Some supplies are at times subject to industry-wide shortages and significant commodity pricing fluctuations. We cannot assure you that we will be able to extend or renew our supply agreements on similar terms, or at all. The effects of global or regional economic conditions on our suppliers could also affect our ability to obtain these supplies, and we remain subject to significant risks of supply shortages and price increases, which may adversely affect our business, results of operations and financial condition.

If we experience increases in labor costs, shortage of labor or deterioration in labor relations, our production costs may be affected.

Labor costs have been fluctuating and may rise in the future. We recorded employee benefit expenses of RMB475.0 million, RMB611.3 million and RMB544.5 million in 2023, 2024 and 2025, respectively. Labor cost increases may cause our operation costs to increase, and we may not be able to pass on such increase to our customers. We also cannot assure you that we will not experience any shortage of labor. Any such shortage could hinder our ability to maintain our R&D and sales schedules and maintain or expand our business operations, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We seek to maintain favorable labor relations with our employees as we believe that our long-term growth depends on the expertise, experience and development of our employees. For details of our employee training efforts and welfare, see “Business—Employees.” However, we cannot assure you that we will not have any labor disputes in the future. Any deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

We may be subject to product liability claims if our products, services and the underlying technologies contain significant defects. We could incur significant expenses to remediate such defects. As a result, our reputation could be damaged and we could lose market shares, and our financial condition and results of operations may thus be negatively impacted.

We may be subject to product liability claims if our products, services and the underlying technologies contain significant defects. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the seller of the product. Attempting to enforce our rights against the suppliers and contract manufacturers may be expensive, time-consuming and ultimately futile. As a result, we could incur significant expenses to remediate such defects. Any material product liability claim, or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation, and we could lose market shares as a result.

RISK FACTORS

Product quality is core to our business. Any quality issues related to our products may result in a loss of customers and subject us to product liability claims.

Our reputation and customer trust heavily rely on the consistent quality of our products and services. Any compromise in product quality or occurrence of side effects, whether due to manufacturing defects, supply chain issues, or inadequate quality control measures, could result in product returns or recalls, especially with respect to our consumer-class products, and significantly impact our brand image, customer loyalty and market position. We have implemented a stringent quality control system supported by comprehensive quality control standards and standardized operating procedures to ensure the high standard of our products. However, the system may not always be successful in detecting defects, quality issues or side effects, especially if they originate from factors beyond our direct control, such as raw material defects or issues with third-party suppliers.

Our infrastructure and the infrastructure of our business partners may experience failure, interruption, inadequacy, security breaches or cyberattacks. Involvement in such incidents could materially and adversely affect our reputation, business and results of operations and subject us to liabilities.

We rely on information technology networks and systems for electronic communications among our personnel, customers and suppliers and for synchronization with our demand forecast, order placements and service status and capacity. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, operating system malfunctions, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. If our information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. Any significant interruption, breach, or failure, particularly involving core operating systems, could impair our ability to process business data, deliver services, or maintain operational visibility, potentially leading to substantial costs to repair, replace, or restore systems and data. If we do not effectively resolve the issues in a timely manner, our business, results of operations and financial condition may be materially and adversely affected, and we could experience delays in reporting our financial results.

We process a large amount of business and operation data and our success depends in part on our ability to provide effective data security protection in connection with our platforms and services. Because many of our customers use our products and services to store, transmit, and otherwise process proprietary, confidential, or sensitive information, and complete mission critical tasks, they have a lower risk tolerance for security vulnerabilities in our platforms and services than for vulnerabilities in other, less critical, software products and services. If any of our customers' cloud or on-premises environments are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of us may be harmed, and we may lose business and incur losses or liabilities.

Any accidental or willful security breaches or other unauthorized access could cause our confidential information to be stolen and used for improper or criminal purposes. Moreover, if we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate the data. Security breaches, cyber-attacks or unauthorized access to confidential information could also expose us to liabilities related to the loss of the information, time-consuming and expensive litigations and other regulatory and legal proceedings, as well as negative publicity. If security measures are breached because of third party action, employee error, malfeasance or other similar factors, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with our customers and partners could be severely damaged and we could incur significant liabilities or subject to legal or regulatory actions that may materially and adversely affect our business, financial condition, results of operations and prospects. In addition,

RISK FACTORS

concerns about our practices with regard to security of confidential information or other privacy-related matters, such as cybersecurity breaches, misuse of personal data and data sharing without necessary safeguards, even if unfounded, could damage our reputation and results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material incidents of cyberattacks or data security breaches. However, if any of the foregoing risks materializes, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we are unable to ensure compatibility of our products and services with diverse hardware and software environments and data types, we may become less competitive and our growth prospects will be limited.

Our products and services may be integrated with a variety of hardware and software platforms and software applications, and we need to modify and enhance our products and services to adapt to changes in hardware and software technologies in a timely and cost-effective manner. Compatibility of our products and services and hardware and software developed by others is critical to the performance of our products and services. Failure to ensure compatibility of our products and services may negatively affect our competitive edge, and our business results of operations and financial condition would be harmed.

Our use of open-source technology could impose limitations on our business operations.

We use open-source software in certain aspects of our business and expect to continue to use open source software in the future. Although we monitor our use of open source software to avoid subjecting our software to conditions we do not intend, we may face allegations from others alleging ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of the open source software, derivative works, or our proprietary source code that was developed using such software. These allegations could also result in litigation. The terms of many open-source licenses have not been interpreted by courts. There is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our software and platform. In such an event, we may be required to seek licenses from third parties to continue commercially offering our software, to make our proprietary code generally available in source code form, to re-engineer our software or to discontinue the sale of our software if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business and revenue.

The use of open-source software subjects us to a number of other risks and challenges. Open-source software is subject to further development or modification by anyone. Others may develop such software to be competitive with us or render such software no longer useful by us. It is also possible for competitors to develop their own products and services using open-source software, potentially reducing the demand for our products and services. If we are unable to successfully address these challenges, our business and results of operations may be adversely affected, and our development costs may increase.

Misconduct, errors, non-compliance and omissions by our employees, Directors or third parties could harm our business and reputation.

Misconduct and omissions by our employees could subject us to liability or negative publicity. We have implemented robust human resources risk management policies, and we have in place an employee handbook approved by our management and distributed to all our employees that contains broad internal rules and guidelines and cover areas such as best commercial practices, work ethics, fraud prevention mechanisms and regulatory compliance. Although we are not aware of any past misconduct or omission by our employees or Directors that has caused material reputational harm or disruption to our business operations, there can be no assurance that we can always prevent them from engaging in misconduct or omission that could materially and adversely affect our business, financial condition and results of operations. Misconduct by our business partners could subject us to disruption of business,

RISK FACTORS

negative publicity or liability. We cannot assure you our business partners providers will not engage in misconducts or omissions. Any misconduct by our business partners may affect our operations and reputation, which may in turn affect our business, results of operations and financial condition.

Rumors or negative publicity involving our Company, our products and services, our management, our customers, our business partners or our industry in general may materially and adversely affect our reputation, business, results of operations and growth prospects.

Negative publicity involving our industry, our Company, our products and services, our management, our customers or our business partners may materially and adversely harm our business and reputation. We cannot preclude media reports of a negative nature or negative allegations from other parties from being made in the future, nor can we assure you that we will be able to defuse such negative publicity to the satisfaction of our investors, customers and business partners or prevent related misconception and other damages caused by such reports. We may have to incur significant expenses and divert our management’s time and attention in order to remedy the effects of these negative reports or allegations, which may materially and adversely affect our results of operations.

We may be unable to expand, manage, monitor and coordinate our multi-channel sales network of consumer-class business effectively.

We face risks associated with managing our multi-channel sales network consisting of offline sales channels, including distributors and online sales channels, including various e-commerce platforms, for our consumer-class business. Our multiple sales channels might compete with each other and result in cannibalization among different channels, which could have a material and adverse impact on our business, results of operations and financial condition.

More specifically, we have begun to develop distributorship as part of our multi-channel sales network for our consumer-class business since December 2024. We had a total of 26 distributors as of December 31, 2025, with the revenue generated from distributors of RMB5,700 and RMB5.1 million in 2024 and 2025, respectively, which were immaterial to our total revenue in the same periods.

Additionally, our ability to expand our sales network significantly impacts our success, but this is influenced by various factors, some of which are beyond our control. For instance, if we encounter challenges in maintaining positive relationships with existing partners within our sales channels, experience disputes with them, or struggle to expand our sales network with new partners under favorable terms, our market presence across different channels or regions may be compromised. Failure to effectively execute our development and growth strategies, along with providing sufficient resources and operational support to our online and offline sales channels, could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

Failure to manage our inventory effectively could have a material and adverse effect on our business, financial condition and results of operations.

Our inventories was RMB135.9 million, RMB249.4 million and RMB285.9 million as of December 31, 2023, 2024 and 2025, respectively. Our inventories turnover days were 95 days, 97 days and 101 days in 2023, 2024 and 2025, respectively. Inventories levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. As we plan to continue to expand our business, we expect to include more inventories, which will make it more challenging for us to manage our inventories effectively. If we fail to manage our inventories effectively, we may be subject to a heightened risk of inventories obsolescence and any such situation may have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We are subject to credit risks related to our customers, and any significant default or delay in settlement of our trade receivables may affect our business, results of operations and financial condition.

We are exposed to credit risks related to our customers. As of December 31, 2023, 2024 and 2025, our trade and bills receivables, net were RMB633.8 million, RMB815.1 million and RMB728.5 million, respectively. As of December 31, 2023, 2024 and 2025, the ECL allowance for current trade receivables were RMB62.1 million, RMB101.4 million and RMB126.5 million, respectively, and the ECL allowance for long-term trade receivables were RMB20.2 million, RMB29.7 million and RMB48.1 million, respectively. Our trade receivables turnover days were relatively long at 415, 287 and 209 days for 2023, 2024 and 2025, respectively. During the Track Record Period, we typically granted credit period to customers ranging from 30 days to two years. See “Financial Information—Discussion of Major Balance Sheet Items—Trade and Bills Receivables.” Despite the fact that we have taken internal measures to enhance the management and collection of trade receivables, we cannot assure you of the effectiveness of such measures. Moreover, our customers could experience financial difficulties or encounter other issues in settling the trade receivables with us due to various factors, some of which could be beyond their and our control, such as adverse changes in the competitive landscape and economic conditions, and government policies of the relevant industries. As a result, we may not be able to timely recover relevant trade receivables, if at all, and we will recognize impairment losses associated with such amounts due. Our trade receivable balance may also continue to grow alongside our normal course of business, which may increase our risks for uncollectible receivables. If we are unable to collect our trade receivables from our customers in a timely manner per contractual terms or at all, or if there are any material delays in payment by our customers, our liquidity and cash management will be materially and adversely affected, which, in turn, might affect our business, results of operations and financial condition.

Our ability to meet our financial obligations largely depends on the ability of our customers to fulfill their payment obligations to us. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we encounter difficulties in generating sufficient cash to repay our outstanding financial liabilities, our liquidity, business, results of operations and financial condition may be adversely affected, and we may not be able to expand our business.

We are exposed to risks associated with our investments in wealth management products.

We had financial assets at fair value through profit or loss (“FVTPL”) of RMB2,635.6 million, RMB701.0 million and RMB882.6 million as of December 31, 2023, 2024 and 2025, respectively, substantially of which represented our investments in wealth management and structured deposit products. We have implemented investment and treasury management policies during the Track Record Period in connection with our investments in wealth management products. See “Financial Information—Discussion of Major Balance Sheet Items—Financial Assets at FVTPL—Our investment policies.”

We are subject to risks associated with non-performance by the counterparties. For example, the banks and/or securities companies that issue wealth management products may fail to perform their contractual obligations in the event of bankruptcy or insolvency. Any material non-performance of our counterparties with respect to the wealth management products we invest in could materially and adversely affect our results of operations, financial position and cash flow. Furthermore, our investments in wealth management products are subject to the overall market conditions, including the capital markets, which exposes us to the risk of valuation uncertainty.

The fair value of our investments in wealth management products during the Track Record Period was based on one or more significant observable inputs. Any volatility in the market or fluctuations in interest rates may negatively impact on the fair value of these wealth management products, which may in turn have a material adverse effect on our results of operations and financial condition.

RISK FACTORS

In addition, we recorded fair value loss on equity investments at FVTOCI, net of tax, of nil and RMB12.7 million and fair value gain of RMB38.0 million in 2023, 2024 and 2025, respectively. Such fair value change in 2024 and 2025 was primarily due to the valuation adjustment of certain equity investments. The fair value measurements of certain of our unlisted equity investments at FVTOCI involve using significant unobservable inputs under level 3 of the fair value hierarchy (the “Level 3 Investments”). Specifically, the fair value of the Level 3 Investments was estimated using the market approach. Accordingly, such determination requires us to make estimates and assumptions, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control, such as general economic condition, changes in market interest rates, and stability of the capital markets, can significantly influence and cause adverse changes to the estimates we used and thereby affect the fair value of the Level 3 Investments. Should any of the estimates and assumptions changed, there may be a change in the fair value of our financial assets, which may in turn have a material adverse effect on our results of operations and financial condition.

Failure to satisfy our obligations related to our bank borrowings may materially and adversely affect our business, results of operations and financial condition.

We have used, and may continue to use, bank borrowings to finance our working capital requirements and capital expenditures. As of December 31, 2024 and 2025, we had borrowings of RMB158.3 million and RMB823.6 million, respectively, with interest rates ranging from 2.50% to 5.99% and 2.50% to 3.50% per annum. We may also from time to time in the future look for other debt financing opportunities to refinance our existing loans or support our business expansion.

To secure our bank and other borrowings, we may grant security interests from time to time. See Note 32 to the Accountant’s Report in Appendix I to this document. We may also grant security interests over our assets in the future. Any failure to satisfy our obligations under these borrowings could lead to foreclosure of the assets that secure these borrowings, if any, disruption to business operations, or otherwise damage our reputation in the industry and our relationship with customers, all of which could materially and adversely affect our business, results of operations and financial condition.

We are subject to certain restrictive covenants under the terms of our bank borrowings, which are commonly found in loan arrangements with financial institutions in China, and may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds related to the borrowings, and our ability to engage in change-in-control transactions, make long-term investments, transfer indebtedness, sell, transfer or otherwise dispose of assets related to the borrowings, and reduce our working capital. If we were to breach the covenants, as agreed by the borrowing banks, they would perform a comprehensive risk assessment on us before accelerating our borrowings. However, we cannot assure you that we would be able to pass such risk assessment or otherwise obtain a waiver in a timely manner, on acceptable terms or at all. As a result, we would be in default of such loans, and the relevant counterparty could elect to declare the borrowings, together with accrued and unpaid interest and other fees, immediately due and payable and proceed against security interests under such borrowings, if any. If the borrowings were to be accelerated, our business and liquidity could nevertheless be subject to adverse effects. In addition, such waiver, even if granted, may lead to increased costs, increased interest rates, additional restrictive covenants and other protections available to the counterparties under these borrowings, including the granting of additional security interests, which could adversely affect our business, results of operations, financial condition, and our ability to acquire additional capital resources.

We have granted and may continue to grant share awards, which could result in share-based payment expenses that may affect our financial performance, and potentially dilute existing Shareholders’ ownership.

We have adopted certain share award scheme that permits the grant of share awards, such as restricted A Shares, to our Directors, senior executives and other eligible persons, such as employees. We believe the granting of such share awards is important to our ability to attract, retain and motivate our management team and qualified employees. For details, see Note 36 to the Accountant’s Report in Appendix I to this document for details. We are required to recognize share-based payment expenses

RISK FACTORS

based on the fair value of granted share awards. We recorded share-based payment expenses of RMB86.7 million, RMB189.5 million and RMB128.7 million in 2023, 2024 and 2025, respectively. Any additional grant of share awards by us will further increase our share-based payment expenses, which may adversely affect our results of operations and financial condition, and potentially dilute existing Shareholders’ ownership.

Discontinuation of preferential tax treatment to us in China could adversely affect our results of operations and financial condition.

Pursuant to the PRC Enterprise Income Tax Law and related regulations, enterprises which operate in China are generally subject to enterprise income tax at a statutory rate of 25% on the taxable profit, while enterprises recognized as a “high and new technology enterprise” (高新技術企業) (“HNTE”) are entitled to a preferential tax rate of 15%. Our Company was recognized as an HNTE in December 2020 and renewed the HNTE status in November 2023. As a result, our Company enjoyed a preferential income tax rate of 15% during the Track Record Period. Chengdu Intellifusion and D-infuture Tech was also recognized as an HNTE in December 2024. Continued qualification as an HNTE is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. In addition, certain subsidiaries meet the micro and small enterprises qualification under relevant PRC laws and regulations, and therefore are subject to lower tax rates for part of their assessable profits. In the event the preferential tax treatments are discontinued or not verified by the local tax authorities, and the affected entity fails to obtain preferential tax treatments based on other qualifications, it will become subject to the standard PRC enterprise income tax rate of 25%. There is no assurance that we will continue to be qualified to enjoy the above-mentioned preferential tax treatments, or such treatments will not change in the future, which may have a negative impact on our business, results of operations and financial condition.

We historically received government grants and we may not receive such grants or subsidies in the future.

We have received government grants in relation to our R&D activities and business achievements. We recognized government grants under other income of RMB74.3 million, RMB97.9 million and RMB140.2 million in 2023, 2024 and 2025, respectively. However, these policies may be subject to changes that are beyond our control. We cannot assure you that favorable government policies will continue. In addition, the timing, amount and conditions of government grants are within the sole discretion of the governmental authorities. Governmental authorities may require us to perform certain contractual obligations before we could receive such grants, and we cannot assure you that we could always fully satisfy these conditions or perform the obligations. In such cases, the governmental authorities may cease providing subsidies to us or even require us to repay part or all of the government subsidies we previously received. Any reduction, elimination, repayment or other negative trends in government grants could adversely affect our business, results of operations and financial condition.

Failure to comply with laws and regulations applicable to our business could subject us to fines and penalties and could also cause us to lose customers or otherwise harm our business.

Our business is subject to regulation by various governmental agencies in China, including agencies responsible for monitoring and enforcing compliance with various legal obligations, such as environment-related laws and regulations, intellectual property laws, employment and labor laws, governmental trade laws, import and export controls, anti-corruption and anti-bribery laws, and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be different or more stringent than in China. These laws and regulations may increase our compliance costs. Non-compliance with applicable regulations or requirements may subject us to negative consequences, including:

- investigations, enforcement actions, and sanctions;
- mandatory changes to our offerings;
- monetary damages and fines;

RISK FACTORS

- civil and criminal penalties or injunctions;
- termination of contracts;
- loss of intellectual property rights; and
- failure to obtain, maintain or renew certain licenses, approvals and permits.

Responding to any action will likely result in a significant diversion of our management's attention and resources and incur significant costs. If we fail to comply with relevant laws and regulations, or if we fail to defend ourselves in relevant legal or administrative proceedings, our business, results of operations and financial condition could be adversely affected.

We may be involved in legal and other disputes and claims from time to time arising from our operations and any litigation, legal and contractual disputes, claims or administrative proceedings against us and any failure to comply with relevant laws and regulations may expose us to legal risks.

We may be, from time to time, involved in litigation, other legal proceedings or disputes with our employees, suppliers or customers during the ordinary course of business operations related to, among other things, products and other types of liability, labor disputes or contractual disputes. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our reputation, business, prospects, results of operations and financial condition.

We may be subject to fines for failing to register the lease agreement of leased property.

Pursuant to applicable PRC laws and regulations, property lease agreements must be filed with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 13 out of our 15 leased properties mainly used as our offices and R&D premises had not been registered and filed with relevant land and real estate administration bureaus in China primarily due to the difficulty of procuring our lessors' cooperation to file such leases, among other things. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such lease agreements nor the lawful and effective use of leased properties pursuant to the lease agreements. However, the relevant authorities may require us to rectify such noncompliance within a prescribed period and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each of such properties if we fail to rectify such non-compliance within the prescribed period. During the Track Record Period and up to the Latest Practicable Date, we had not received any order from the relevant government authorities requiring us to register these lease agreements, and no administrative penalty had been imposed on us for non-registration of these lease agreements. However, we cannot assure you that the government authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition.

Our leased property interests may be defective and our right to lease or use the properties may be challenged, which could cause additional expenses or significant disruption to our operation.

We lease properties for our office, R&D and other uses. As of the Latest Practicable Date, the lessors of seven out of our 15 leased premises had not provided copies of the real property title certificates to us. Therefore, we cannot assure you that such lessors are entitled to lease the relevant properties to us. If the lessors are not entitled to lease the properties to us and the owners of such properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the

RISK FACTORS

owners. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any claim or challenge brought by any third parties concerning the use of our leased properties without obtaining proper ownership proof. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased properties, we could be required to vacate the properties, in which event we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be interrupted.

Under the PRC legal regime regarding the land use right, land shall be used in line with the approved usage of the land. Any change as contemplated to the usages of land shall go through relevant land alteration registration procedures by landlords. As such, failure to do so may subject the landlords to a fine, additional expenses or retrieval of land or removal of the buildings by the PRC government authorities and therefore we may need to move our offices or relevant properties somewhere else and may incur additional expense or experience disruption of our operation due to our defective property rights, which could adversely affect our finance, business and operations.

We face certain legal and regulatory risks relating to labor related laws and regulations, which may adversely affect our business, results of operations and financial condition.

We are required by PRC social insurance and housing provident fund laws and regulations to make contributions for mandatory social insurance and housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations. In addition, during the Track Record Period, we engaged third-party human resource agencies to make social insurance and housing provident fund contributions for certain employees, primarily due to the preference of such employees to participate in local social insurance and housing fund schemes in their place of residency in which we did not establish any entity. During the Track Record Period, such third-party human resource agencies did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations.

In 2023, 2024 and 2025, the shortfall of social insurance and housing provident fund contributions amounted to RMB19.2 million, RMB24.9 million and RMB23.6 million, respectively. As advised by our PRC Legal Advisor, if any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance, and a late payment fee of up to 0.02% per day. In addition, if any of the relevant housing provident fund authorities are of the view that our contributions to the housing provident funds do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing provident fund authority may apply to a PRC court for an order of mandatory payment. We cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specific time limit or impose late or additional fees or fines on us in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident fund contributions under national laws and regulations or adjust or rectify our arrangements with the third-party human resource agencies. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC government or relevant local authorities.

RISK FACTORS

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in China. We may be subject to investigations and proceedings by PRC governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

We may need additional capital for business growth, product development, R&D and marketing efforts. If we are unable to raise capital in a timely manner or on acceptable terms, or at all, we could incur losses and be forced to delay, reduce or eliminate such efforts.

We may require additional capital beyond that generated by the operating activities from time to time to carry out R&D activities for developing and enhancing our products and technologies, grow our business and better serve our customers, among other things. Accordingly, we may need to issue additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our A shares and H Shares. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders. Our ability to maintain or obtain additional capital in a timely manner or on commercially acceptable terms is subject to various factors, including general market conditions for capital raising activities by our peers as well as economic, political and other conditions in China, Hong Kong and globally. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our R&D and business growth could be significantly impaired, and our business and prospects may be adversely affected.

We may be exposed to infringement or misappropriation claims by or disputes with third parties, which could cause us to lose significant rights and pay substantial damages.

Companies operating in our industry routinely seek patent protection for their product designs, and many of our principal competitors have large patent portfolios. Whether a product infringes a patent involves an analysis of complex legal and factual issues, the determination of which is often uncertain. Although we search third parties’ intellectual property rights prior to beginning any development projection, our products and technologies and any uses of our products and technologies could infringe third parties’ intellectual property rights. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such proceedings and claims could result in significant costs for us and divert the time and attention of our management and technical personnel from our business operations. In addition, our employees could have used third parties’ proprietary know-how or trade secrets during their employment with us, which could result in litigation against us. Prior to our development of major new products, our competitors may make filings for patent protection that may not be publicly available and which our new products may infringe. If third parties successfully assert their intellectual property rights against us, we might be barred from using certain aspects of our technology or barred from developing and commercializing certain products, or we may be required to pay burdensome royalties to license their products. If we are unsuccessful in defending against allegations that we have infringed, misappropriated or otherwise violated intellectual property rights of others, we may be forced to pay substantial damage awards to the plaintiff. Our efforts to identify and avoid infringing on third parties’ intellectual property rights may not be successful, the failure of which may have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our customers, divert customers away from our products and services or harm our reputation.

Competitors and other third parties may register trademarks or purchase internet search engine keywords or domain names that are similar to ours, in order to divert potential customers from our platforms to theirs. Preventing such unfair competition activities is inherently difficult. If we are unable to prevent such activities, competitors and other third parties may drive potential customers away from our platforms, which could harm our reputation and materially and adversely affect our results of operations.

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technologies and knowhow. Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

The insurance coverage we have may not adequately protect us against all operating risks.

Our business is subject to a variety of operational risks, including operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we may further expand our operations in overseas markets in the future, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, personal injury or casualties, environmental damage, monetary loss and legal liability. The occurrence of any of these events may result in the disruption of our operations and cause us to suffer substantial losses or incur significant liabilities.

Despite the fact that we purchase statutory social insurance and the necessary insurance types in accordance with relevant laws and our assets (including fixed assets and vehicles), employee safety, cargo transportation and other applicable items/risks are covered by commercial insurance after risk assessment and management team approval, we may not have adequate or full business liability, interruption or litigation insurance coverage for our operational risks in China and overseas. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, prospects, results of operations and financial condition may be materially and adversely affected.

We may not be able to effectively maintain our relationships with our business partners. Any negative development with respect to our relationships with our business partners may materially and adversely affect our business and brand.

We established business relationship with third-party business partners. We cooperate with and will continue our substantial cooperation with our business partners in various aspects. If any of our business partners discontinues their cooperation with us, reduces, suspends or terminates any type of support to us, we need to obtain such support from other business partners, or improve the capacities on our own. If we are unable to maintain our relationship with business partners, our business and results of operations could be materially and adversely affected.

RISK FACTORS

We may be the subject of unfair competition, harassing or other detrimental conduct by third parties including complaints to regulatory authorities, negative social media postings and the public dissemination of malicious statements related to us that could harm our reputation and affect our business operations.

As an established brand, our image is sensitive to the customers’ perception of us as a business in entirety, which includes not only the quality our products and services but also our corporate management and culture. We cannot guarantee that we may not be the subject of unfair competition, harassment, or other detrimental conduct by third parties. Such conduct includes complaints to regulatory authorities, negative social media postings, and malicious assessments against us. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time. Additionally, allegations against us, may be disseminated by anyone, whether or not related to us. Social media often publish such content without verifying the accuracy of the content posted and without affording us an opportunity for redress or correction. Although we had promptly taken clarification or rectification measures when we faced negative publicity in the past, it cannot be assured that such measures will always be effective in the future. Any such detrimental conduct against our Company, Directors, employees, spokespersons or products, regardless of veracity, could harm our reputation, or lead to potential loss of consumer confidence or difficulty in retaining or recruiting talents that are essential to our business operations. As a result, our business, results of operations, financial condition, reputation and prospects may be materially and adversely affected.

We may fail to maintain effective internal control measures.

We have implemented various measures to improve our internal control. However, our internal control measures are subject to continuous evaluation and improvement, there can be no assurance that all such measures will prove effective or that material deficiencies in our internal control measures will not be discovered in the future. Our efforts to improve our internal control measures have required, and may still require in the future, increased costs and significant management time and commitment. If we fail to maintain effective internal control measures, our business, results of operations, financial condition or reputation may be materially and adversely affected.

Any future occurrence of natural disasters, outbreaks of contagious diseases or other force majeure events may materially and adversely affect our business, results of operations and financial condition.

Our business is subject to general economic and social conditions in China and other countries and regions where we operate. Uncertainties about global economic conditions and regulatory changes and other factors including fluctuation of interest rates, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our products. In addition, natural and man-made disasters and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people there. For instance, typhoons, sandstorms, snowstorms, fires and droughts, as well as the outbreak of a widespread health epidemic such as COVID-19, SARS, Ebola or Zika could pose significant risks to the regions where we or our business partners conduct business operations, including the R&D and commercialization activities. The potential occurrence or recurrence of any of these events could result in a slowdown of global economy or cause substantial disruptions to our operations, which could materially and adversely affect our business, financial condition, results of operations and prospects. Additionally, acts of war and terrorism may also damage the facilities of our business partners, disrupt our distribution channels and destroy our markets. The potential for war or terrorist attacks may also harm or cause uncertainty to our business in ways that we cannot predict.

RISK FACTORS

Our Single Largest Shareholder may have substantial influence over our Company and his interests may not be aligned with the interests of other Shareholders.

Upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no additional Shares are issued pursuant to our Share Incentive Schemes), our Single Largest Group of Shareholders will hold [REDACTED]% of our total issued Shares. As a result, Single Largest Group of Shareholders, will have significant influence over our business, including decisions regarding mergers, consolidations, liquidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions.

It may take actions that are not in the best interest of us or our other Shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their shares as part of a sale of our Company and may reduce the price of the Shares. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that other holders of our ordinary shares may view as beneficial.

RISKS RELATED TO THE JURISDICTION IN WHICH WE OPERATE OUR BUSINESS

The economic and social conditions in China could affect our business, results of operations, financial conditions and prospects.

During the Track Record Period, majority of our revenue was derived from our businesses in China. Accordingly, our business, results of operations, financial condition and prospects are, to a material extent, subject to economic, political and legal developments in China. In particular, factors such as consumer, corporate and government spending, business investment, level of economic development, and resource allocation could affect the growth of our business.

The PRC economy has experienced significant growth over the past decades since the implementation of China’s reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be affected.

Any changes embedded in the legal systems of certain jurisdictions where we operate could adversely affect our business, results of operations and financial condition, and our investors could be affected as a result.

The legal systems of the jurisdictions where we operate vary significantly. Some jurisdictions have a civil law system based on written statutes and others are largely based on common law. Unlike common law systems where the case laws have binding effects, prior court decisions under civil law systems may be cited for reference but have limited precedential value. We are based in China and our business in China are governed by PRC laws and regulations. The PRC legal system is a law system based on written statutes. As the legal system in China continues to develop, laws and regulations may continue to evolve and be subject to interpretation, which may adversely affect the legal protections and remedies that are available to us and our investors.

The PRC government policy on foreign investment in the PRC may adversely affect our business and results of operations.

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed to additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2024) (外商投資准入特別管理措施(負面清單)(2024年版), the “Negative List”) issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are

RISK FACTORS

prohibited for foreign investment. As of the Latest Practicable Date, our main business in China does not fall within the Negative List. However, certain industries, such as Internet news information services, online publishing services, online audio-visual program services, and Internet cultural operations, are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards. Also, as the Negative List may be updated from time to time in the future. If we cannot obtain approval from relevant approval authorities to engage in a business in China that becomes prohibited or restricted for foreign investors, we may need to sell or restructure our business which has become restricted or prohibited for foreign investment. If we need to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, PRC tax laws and regulations may be adjusted from time to time. Our ability to attract and retain highly skilled foreign scientists and research personnel to work in China may be materially affected by such tax regulations, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. The PRC tax laws and regulations may change from time to time in the future and may also have an adverse effect on our business, financial condition and results of operations.

We may be subject to the approval or other requirements of the China Securities Regulatory Commission or other PRC governmental authorities in connection with future security activities.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities (關於依法從嚴打擊證券違法活動的意見) (the “July 6 Opinion”), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and [REDACTED] of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. The July 6 Opinion aims to achieve this by establishing a regulatory system and revising the existing rules for overseas listings of Chinese entities and affiliates including potential extraterritorial application of Chinese securities laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “Overseas Listing Trial Measures”) and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities. Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for [REDACTED] to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted. In addition, according to the Overseas Listing Trial Measures, any future share issuance or [REDACTED] after this [REDACTED] will also be subject to filing procedures of CSRC and we are also required to report certain material matters to CSRC after this [REDACTED]. Any failure to complete such filing or reporting procedures would subject us to administrative penalties by CSRC which could harm our reputation and may adversely affect our results of operations and financial condition.

We cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion and any other related PRC rules and regulations will not impose any additional requirement on us or otherwise tightening the regulations on us. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for future capital raising activities,

RISK FACTORS

we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions. Furthermore, any uncertainty and/or negative publicity regarding such an approval, filing or other requirements may also have a material adverse effect on the price of our H Shares.

Investors of our H Shares may become subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.

Non-Chinese resident individual holders of H Shares whose names appear on the register of members of H Shares (“Non-Chinese Resident Individual Holders”), are subject to Chinese individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) dated June 28, 2011 and issued by the State Taxation Administration (the “SAT”), the tax rate applicable to dividends paid to Non-Chinese Resident Individual Holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between China and the jurisdiction in which the Non-Chinese Resident Individual Holder of H Shares resides, as well as the tax arrangement between China and Hong Kong. Non-Chinese Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. See “Regulatory Overview—Regulations on Tax.” In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the “Individual Income Tax Law”) and its implementation regulations, Non-Chinese Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the Ministry of Finance and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, none of the aforesaid provisions had expressly provided that whether individual income tax shall be levied from non-Chinese Mainland resident individual holders on the transfer of shares in Chinese Mainland resident enterprises listed on overseas stock exchanges. To the best of our knowledge, the Chinese tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) and its implementation regulations, a non-Chinese resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its income sourced from China, including dividends received from a Chinese company and gains derived from the disposition of equity interests in a Chinese company. This rate may be reduced under any special arrangement or applicable treaty between the China and the jurisdiction in which the non-Chinese resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣繳企業所得稅有關問題的通知(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-Chinese resident enterprise holders of H Shares (including [REDACTED]). Non-Chinese resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the Chinese tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the Chinese tax authorities’ approval. See “Regulatory Overview—Regulations on Tax.” There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the Chinese tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-Chinese resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-Chinese resident enterprise holders’ investments in H Shares may be materially and adversely affected.

RISK FACTORS

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRSs in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

It may be difficult to effect service of process, enforce foreign judgments or bring original actions against us, our Directors and senior management residing in China.

We are a company incorporated under the laws of China, and a substantial majority of our assets are located in China. In addition, most of our Directors and senior management reside within Chinese Mainland. As a result, the service of process, investigation, collection of evidence, ratification, and enforcement procedure inside China should follow the rules set forth in the Civil Procedure Law of the People’s Republic of China as well as other applicable laws, regulations and interpretations. It would generally require you to commit more time and economic cost. On July 14, 2006, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “2006 Arrangement”). Pursuant to the 2006 Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2019 Arrangement”) and the 2019 Arrangement was issued on January 25, 2024 and became effective on January 29, 2024. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2019 Arrangement taking effect. However, there remains uncertainties as to the outcome of any specific applications to recognize and enforce such judgments and arbitral awards in China.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation administrative authorities. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit a formal application, which will be

RISK FACTORS

verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. The procedures, however, may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or our affiliated entities or their subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations, and we may not be able to recover our loss due to such misuse or misappropriation if the third party relies on the apparent authority of such employees and acts in good faith.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to PRC and [REDACTED] and regulatory requirements.

As we are listed on the Shanghai Stock Exchange and will be [REDACTED] on the [REDACTED], we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

Our A Shares are listed on the Shanghai Stock Exchange, and the regulatory requirements and characteristics of the A Share and H Share markets may differ. An active [REDACTED] market for our H Shares may not develop or be sustained.

Our A Shares are listed on the Shanghai Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [REDACTED] on the [REDACTED]. Under current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share market and the A Share market have divergent [REDACTED], liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Furthermore, due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

You will incur immediate and substantial dilution, and may experience further dilution in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. In order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per H Share at that time. Furthermore, we may issue Shares pursuant to any existing or future share option incentive scheme, which would further dilute our Shareholders' interests in our Company.

RISK FACTORS

Actual or perceived sale or availability for sale of substantial amounts of our Shares could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the [REDACTED] of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Certain amount of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our Shares commences on the [REDACTED]. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing Shareholders of our Shares are not subject to lock-up agreements. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our Shares.

We cannot assure you that we will declare and distribute any amount of dividends in the future, and you may have to rely on price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we may not pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has discretion as to formulate a dividend distribution plan, subject to certain restrictions under PRC laws and regulations. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Shareholders decide to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flows, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares. For further details of our dividend policy, see “Financial Information—Dividend Policy.”

If securities or industry analysts do not publish research reports about us, or if they adversely change their recommendations regarding our H Shares, the [REDACTED] and [REDACTED] of our H Shares may decline.

The [REDACTED] market of our H Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the [REDACTED] of our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the [REDACTED] or [REDACTED] volume of our H Shares to decline.

RISK FACTORS

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “should,” “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this document to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

The industry data and forecasts in this document obtained from various official government sources have not been independently verified.

This document includes industry data and forecasts extracted from the report prepared by CIC, which was commissioned by us, and from various official governmental publications and other publicly available publications. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot assure you of the accuracy or completeness of information obtained from these sources. We have not independently verified any of the data, forecasts and other statistics from official government sources, nor have we ascertained that the underlying economic assumptions relied upon in those sources. The information from official government sources has not been independently verified by us or any other parties involved in the [REDACTED], or any of our or their respective directors, senior management, representatives, advisors or any other persons involved in the [REDACTED] and no representation is given as to its accuracy. Moreover, such facts, forecasts and other statistics may not be prepared on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. For these reasons, the information from various government publications contained in this document may not be accurate and should not be given undue reliance as a basis for making your investment in our H Shares.

Regulatory requirements and characteristics of the A share and H share markets may differ.

Our A Shares are currently listed and traded on the Shanghai Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [REDACTED] on the [REDACTED]. We will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

In addition, the A share and H share markets have different characteristics, including different [REDACTED] and liquidity and different investor bases. Without regulatory approval, our A Shares and H Shares are neither convertible into nor fungible with each other. As a result of these differences, the [REDACTED] of our A Shares and H Shares may not be the same. Fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the A share and the H share markets, the historical prices of our A shares may not be indicative of the performance of our H Shares. You should not rely on the prior trading history of our A Shares when evaluating an [REDACTED] in our H Shares.

RISK FACTORS

You should not place reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information relating to ourselves on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to our H Shares. Such information does not and will not form a part of this document. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

There has been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We have not authorized the disclosure of any information concerning the [REDACTED] in the press or media. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our H Shares. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].